

Balance Sheets for Municipal Executives

MME 2017 Winter Institute

Presentation by:
Brian Camiller and Laura Knapp

plante moran


audit • tax • consulting • wealth management

Balance Sheets for Municipal Executives

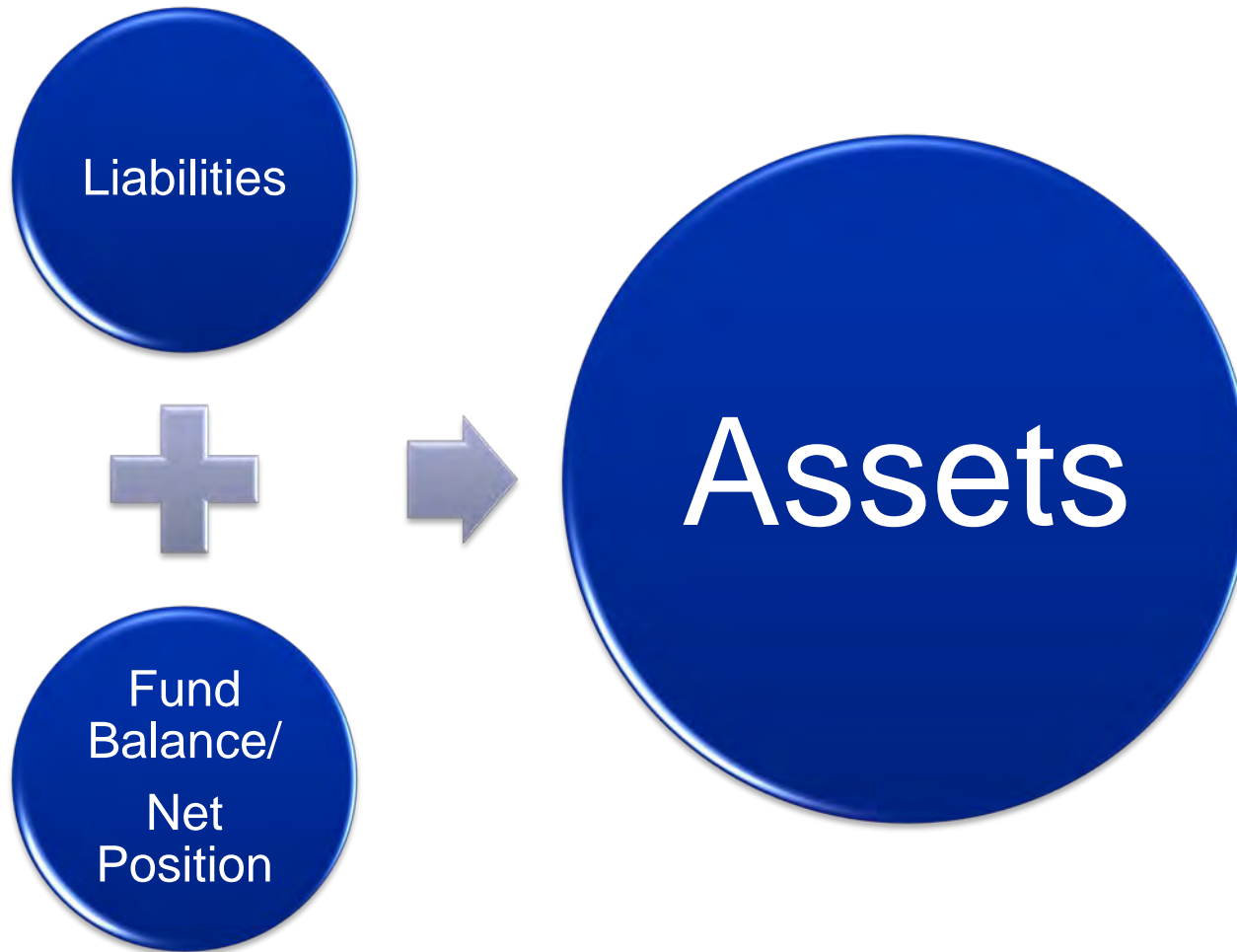
- Overview
- Balance sheet categories (assets, liabilities, fund balance)
- Reviewing balance sheets
- Conclusion
- Questions

Balance Sheets

1. What is a balance sheet?
2. What is its purpose?
3. What information does it tell you?
4. How is it different from budget to actual reports?
5. When should we look at the balance sheet?
6. How are balance sheets audited?
7. Common problems with balance sheets



1. What is a balance sheet?



2. What is a balance sheets purpose?

To summarize what the government **HAS** and what it **OWES** to others.

It is a representation of a unit's **wealth** (or lack thereof).



3. What information does a balance sheet tell you?

- How much cash or investments does the City have in a certain fund?
- How much is owed to the residents, customers, employees, or other government units?
- How much is owed to the governmental unit from others?
- What is leftover? – the fund balance/ net position



4. How is a balance sheet different from a statement of revenue/ expense (expenditure)?

	Revenue/Expense (Expenditure)	Balance Sheet
When?	A period of time – from point A to B	A snapshot of a moment in time
What's included?	Activity during a period of time	Cumulative – a running balance since Day 1
Balance Reported	“For the period ending June 30”	“As of December 31”
Budget	Yes	No
Purpose	Answers the question “What just happened?”	What do we have? What do we owe? How much is leftover?

5. When should we look at the balance sheet?

- Certain parts of the balance sheet are important **year round** – cash, receivables, A/P, Long-term debt, etc..
- Others are only adjusted **once per year** – OPEB, NPL, Fund Balance, etc...

Question: How many of you see the balance sheet more than once per year?

Question: Does your Council/ Board ever look at the balance sheet (other than to ask how much fund balance do we have?)?

6. How is a balance sheet audited?

- Every asset and liability should have supporting schedule – does not mean they will ask for all!
- Review for reasonableness – did balances change significantly from previous year?
- Confirmation, sample testing, analytics



7. Common problems on the balance sheet

- “Negative” cash
- Recorded balance hasn’t changed since prior year
- Interfunds (due to/ from) are out of balance
- Period of availability (60 days?) has not been considered
- Poor “cut-off” for payables
- Misleading or incorrect classification of fund balance/ net position



Assets and Deferred Outflows

- Current vs. long- term assets
- Examples
- Interfunds
- Deferred outflows

Liabilities and Deferred Inflows

- Current vs. long- term liabilities
- Examples
- Interfunds
- Deferred inflows

Fund Balance and Net Position

- What is fund balance/ net position?
- **FB classifications** ("Modified accrual" - GF, Spec Rev, Debt, Cap Proj)
 1. Unspendable – inventory, prepaids, perpetual trust
 2. Restricted – Outside influence – grant, law, donor
 3. Committed – Council action for special purpose
 4. Assigned – weaker version of committed
 5. Unassigned – anything not included in 1-4
- **NP classifications** (Gov Wide, Enterprise, Internal Serv)
 1. Net investment in capital assets
 2. Restricted
 3. Unrestricted

Fund Balance and Net Position (continued)

- What is a “Deficit”?

- When is a deficit not a deficit?
- DEP Test: Numbered letter 2016-1
- What do we have to do?



- How much fund balance should we have?

- What does your policy say?
- Which fund?
- What is your year end?
- When do you levy taxes?
- How “big” are you?

Reviewing Balance Sheets

Governmental Funds

Balance Sheet

Major Fund – General Fund

	<u>General</u>
ASSETS	
Cash and investments	\$ 8,090,914
Accounts receivable	199,008
Accrued interest receivable	13,820
Due from other governmental units	589,618
Due from other funds	6,417
Inventory	<u>164,629</u>
TOTAL ASSETS	<u>\$ 9,064,406</u>
LIABILITIES	
Accounts payable	\$ 470,262
Accrued liabilities	1,887,852
Unearned revenue	57,707
Due to other funds	<u>-</u>
TOTAL LIABILITIES	2,415,821
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	-
FUND BALANCES	
Nonspendable	164,629
Restricted	12,636
Committed	851,994
Assigned	9,783
Unassigned	<u>5,609,543</u>
TOTAL FUND BALANCES	<u>6,648,585</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 9,064,406</u>

1

Governmental Funds

Balance Sheet

Major Streets (Special Revenue)

2

	<u>Major Streets</u>
ASSETS	
Cash and investments	\$ 1,233,974
Accounts receivable	-
Accrued interest receivable	2,674
Due from other governmental units	<u>267,108</u>
TOTAL ASSETS	<u>\$ 1,503,756</u>
LIABILITIES	
Accounts payable	\$ 473,541
Accrued liabilities	16,711
Due to other funds	<u>-</u>
TOTAL LIABILITIES	490,252
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	6,865
FUND BALANCES	
Restricted	-
Assigned	<u>1,006,639</u>
TOTAL FUND BALANCES	<u>1,006,639</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,503,756</u>

Governmental Funds Balance Sheet

Local Streets (Special Revenue)

	<u>Local Streets</u>
ASSETS	
Cash and investments	\$ 383,094
Accounts receivable	-
Accrued interest receivable	784
Due from other governmental units	<u>59,032</u>
TOTAL ASSETS	<u><u>\$ 442,910</u></u>
LIABILITIES	
Accounts payable	\$ 13,583
Accrued liabilities	7,706
Due to other funds	<u>-</u>
TOTAL LIABILITIES	21,289
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	-
FUND BALANCES	
Restricted	5,581
Assigned	<u>416,040</u>
TOTAL FUND BALANCES	<u><u>421,621</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 442,910</u></u>

3

Governmental Funds Balance Sheet

Sanitation (Special Revenue)

4

	<u>Sanitation</u>
ASSETS	
Cash and investments	\$ 1,200,343
Accounts receivable	-
Accrued interest receivable	3,103
Due from other governmental units	-
	<u> </u>
TOTAL ASSETS	<u><u>\$ 1,203,446</u></u>
LIABILITIES	
Accounts payable	\$ 148,959
Accrued liabilities	13,284
Due to other funds	-
	<u> </u>
TOTAL LIABILITIES	162,243
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	-
FUND BALANCES	
Restricted	1,041,203
Assigned	-
	<u> </u>
TOTAL FUND BALANCES	<u><u>1,041,203</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 1,203,446</u></u>

Governmental Funds Balance Sheet

Drug Forfeiture (Special Revenue)

5

	<u>Drug Forfeiture</u>
ASSETS	
Cash and investments	\$ 665,671
Accounts receivable	-
Accrued interest receivable	1,346
Due from other governmental units	-
	<hr/>
TOTAL ASSETS	<u><u>\$ 667,017</u></u>
LIABILITIES	
Accounts payable	\$ -
Accrued liabilities	-
Due to other funds	-
	<hr/>
TOTAL LIABILITIES	-0-
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	-
FUND BALANCES	
Restricted	667,017
Assigned	-
	<hr/>
TOTAL FUND BALANCES	<u><u>667,017</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 667,017</u></u>

Governmental Funds

Balance Sheet

CDBG (Special Revenue)

6

	Community Development Block Grant
ASSETS	
Cash and investments	\$ -
Accounts receivable	-
Accrued interest receivable	-
Due from other governmental units	6,417
	<hr/>
TOTAL ASSETS	\$ 6,417
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ -
Accrued liabilities	-
Due to other funds	6,417
	<hr/>
TOTAL LIABILITIES	6,417
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	-
FUND BALANCES	
Restricted	-
Assigned	-
	<hr/>
TOTAL FUND BALANCES	-0-
	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,417
	<hr/> <hr/>

Governmental Funds

Balance Sheet

Cable TV (Special Revenue)

7

	<u>Cable TV</u>
ASSETS	
Cash and investments	\$ 42,188
Accounts receivable	17,533
Accrued interest receivable	-
Due from other governmental units	-
	<u> </u>
TOTAL ASSETS	<u><u>\$ 59,721</u></u>
LIABILITIES	
Accounts payable	\$ 4,390
Accrued liabilities	-
Due to other funds	-
	<u> </u>
TOTAL LIABILITIES	4,390
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	-
FUND BALANCES	
Restricted	55,331
Assigned	-
	<u> </u>
TOTAL FUND BALANCES	<u><u>55,331</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 59,721</u></u>

Governmental Funds

Balance Sheet

Debt Service

8

	<u>Debt Service</u>
ASSETS	
Cash and investments	\$ 370,596
Accounts receivable	-
Accrued interest receivable	1,102
Due from other governmental units	-
Due from other funds	-
Inventory	-
	<hr/>
TOTAL ASSETS	<u><u>\$ 371,698</u></u>
LIABILITIES	
Accounts payable	\$ 3,000
Accrued liabilities	-
Unearned revenue	-
Due to other funds	-
	<hr/>
TOTAL LIABILITIES	3,000
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	-
FUND BALANCES	
Nonspendable	-
Restricted	368,698
Committed	-
Assigned	-
Unassigned	-
	<hr/>
TOTAL FUND BALANCES	<u><u>368,698</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 371,698</u></u>

Governmental Funds

Balance Sheet

Capital Projects

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ASSETS

Cash and investments
Accounts receivable
Accrued interest receivable
Due from other governmental units
Due from other funds
Inventory

TOTAL ASSETS

LIABILITIES

Accounts payable
Accrued liabilities
Unearned revenue
Due to other funds

TOTAL LIABILITIES

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue

FUND BALANCES

Nonspendable
Restricted
Committed
Assigned
Unassigned

TOTAL FUND BALANCES

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Capital Projects

	<u>Public Improvement</u>	<u>Road and Park Bonds</u>
\$ 3,966,967	\$ 17,321,961	
-	-	
4,600	3,006	
-	-	
-	-	
-	-	
\$ 3,971,567	\$ 17,324,967	
\$ 15,000	\$ 134,509	
-	-	
-	-	
-	-	
15,000	134,509	
-	-	
-	-	
-	-	
2,023,006	-	
1,933,561	-	
-	-	
3,956,567	17,190,458	
\$ 3,971,567	\$ 17,324,967	

Governmental Funds Balance Sheet -All Funds Combined

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	General	Debt Service	Capital Projects		Nonmajor Governmental Funds	Total
			Public Improvement	Road and Park Bonds		
ASSETS						
Cash and Investments	\$ 8,090,914	\$ 370,596	\$ 3,966,967	\$ 17,321,961	\$ 3,659,231	\$ 33,409,669
Accounts receivable	199,008	-	-	-	17,533	216,541
Accrued interest receivable	13,820	1,102	4,600	3,006	8,150	30,678
Due from other governmental units	589,618	-	-	-	348,804	938,422
Due from other funds	6,417	-	-	-	-	6,417
Inventory	164,629	-	-	-	-	164,629
TOTAL ASSETS	\$ 9,064,406	\$ 371,698	\$ 3,971,567	\$ 17,324,967	\$ 4,033,718	\$ 34,766,356
LIABILITIES						
Accounts payable	\$ 470,262	\$ 3,000	\$ 15,000	\$ 134,509	\$ 640,473	\$ 1,263,244
Accrued liabilities	1,887,852	-	-	-	39,862	1,927,714
Unearned revenue	57,707	-	-	-	-	57,707
Due to other funds	-	-	-	-	6,417	6,417
TOTAL LIABILITIES	2,415,821	3,000	15,000	134,509	686,752	3,255,082
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	6,865	6,865
FUND BALANCES						
Nonspendable	164,629	-	-	-	-	164,629
Restricted	12,636	368,698	-	17,190,458	1,917,422	19,489,214
Committed	851,994	-	2,023,006	-	-	2,875,000
Assigned	9,783	-	1,933,561	-	1,422,679	3,366,023
Unassigned	5,609,543	-	-	-	-	5,609,543
TOTAL FUND BALANCES	6,648,585	368,698	3,956,567	17,190,458	3,340,101	31,504,409
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 9,064,406	\$ 371,698	\$ 3,971,567	\$ 17,324,967	\$ 4,033,718	\$ 34,766,356

Enterprise Funds

“Statement of Net Position”

Water and Sewer

11

	Water and Sewer
ASSETS	
Current assets	
Cash and investments	\$ 4,132,111
Accounts receivable	2,121,958
Due from other governmental units	4,182
Total current assets	<u>6,258,251</u>
Noncurrent assets	
Net pension asset	1,651,849
Capital assets not being depreciated	-
Capital assets, net of accumulated depreciation	<u>28,585,191</u>
Total noncurrent assets	<u>30,237,040</u>
TOTAL ASSETS	<u>36,495,291</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	115,234
LIABILITIES	
Current liabilities	
Accounts payable	382,187
Accrued liabilities	37,841
Accrued interest payable	63,143
Current portion of compensated absences	16,773
Current portion of long-term debt	<u>1,067,242</u>
Total current liabilities	1,567,186
Noncurrent liabilities	
Noncurrent portion of compensated absences	9,162
Noncurrent portion of long-term debt	<u>9,705,553</u>
Total noncurrent liabilities	<u>9,714,715</u>
TOTAL LIABILITIES	<u>11,281,901</u>
NET POSITION	
Net investment in capital assets	17,812,396
Unrestricted	<u>7,516,228</u>
TOTAL NET POSITION	<u>\$ 25,328,624</u>

Enterprise Funds

“Statement of Net Position”

Parking

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	Nonmajor Auto Parking
ASSETS	
Current assets	
Cash and investments	\$ 2,282,822
Accounts receivable	1,992
Due from other governmental units	-
Total current assets	2,284,814
Noncurrent assets	
Net pension asset	-
Capital assets not being depreciated	454,903
Capital assets, net of accumulated depreciation	816,887
Total noncurrent assets	1,271,790
TOTAL ASSETS	3,556,604
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	-
LIABILITIES	
Current liabilities	
Accounts payable	72,030
Accrued liabilities	5,916
Accrued interest payable	-
Current portion of compensated absences	1,827
Current portion of long-term debt	-
Total current liabilities	79,773
Noncurrent liabilities	
Noncurrent portion of compensated absences	998
Noncurrent portion of long-term debt	-
Total noncurrent liabilities	998
TOTAL LIABILITIES	80,771
NET POSITION	
Net investment in capital assets	1,271,790
Unrestricted	2,204,043
TOTAL NET POSITION	\$ 3,475,833

Fiduciary Funds – Agency

“Statement of Assets and Liabilities”

13

	Escrow Fund	Tax Collection Fund	District Court Trust
Assets			
Cash and cash equivalents	\$ 530,179	\$ 28,539	\$ 50,414
Other receivables	-	-	19,922
	<hr/>	<hr/>	<hr/>
Total assets	<u><u>\$ 530,179</u></u>	<u><u>\$ 28,539</u></u>	<u><u>\$ 70,336</u></u>
Liabilities			
Due to others	<u><u>\$ 530,179</u></u>	<u><u>\$ 28,539</u></u>	<u><u>\$ 70,336</u></u>

Fiduciary Funds

Employees' Retirement System – Trust “Statement of Fiduciary Net Position”

Employees' Retirement System

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ASSETS

Cash and cash equivalents	\$ 1,041,498
Accrued interest receivable	47,244
Accounts receivable	-
Investments	
Debt securities	7,473,134
Equity securities	8,618,747
Real estate investment trust	2,416,955
TOTAL ASSETS	19,597,578

LIABILITIES

Accounts payable	-
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NET POSITION

Held in trust for pension benefits and other purposes	\$ 19,597,578
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Fiduciary Funds

OPEB – Trust

“Statement of Fiduciary Net Position”

	<u>Other Post- Employment Benefits</u>
ASSETS	
Cash and cash equivalents	\$ 500,000
Accrued interest receivable	27
Accounts receivable	887,425
Investments	
Debt securities	-
Equity securities	15,082,565
Real estate investment trust	-
	<u>16,470,017</u>
TOTAL ASSETS	16,470,017
LIABILITIES	
Accounts payable	<u>-</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u><u>\$ 16,470,017</u></u>

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Component Unit

DDA

“Statement of Net Position”

Downtown
Development
Authority

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ASSETS	
Current assets	
Cash and investments	\$ 692,871
Accrued interest receivable	1,200
Total current assets	694,071
Noncurrent assets	
Loans receivable	-
Capital assets, net of accumulated depreciation	130,468
Total noncurrent assets	130,468
TOTAL ASSETS	824,539
LIABILITIES	
Current liabilities	
Accounts payable	22,307
Accrued liabilities	4,399
TOTAL LIABILITIES	26,706
NET POSITION	
Investment in capital assets	130,468
Restricted	667,365
TOTAL NET POSITION	\$ 797,833

Government Wide (GASB 34)

“Statement of Net Position”

Assets and Deferred Outflows

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	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and investments	\$ 33,409,869	\$ 8,414,933	\$ 39,824,802	\$ 1,785,368
Receivables	247,219	2,123,950	2,371,169	3,051
Due from other governmental units	938,422	4,182	942,604	-
Inventories	164,829	-	164,829	-
Total current assets	34,759,939	8,543,065	43,303,004	1,788,419
Noncurrent assets				
Noncurrent portion of receivables	-	-	-0-	689,421
Net pension asset	10,314,106	1,651,849	11,965,955	-
Capital assets not being depreciated	663,019	454,903	1,117,922	-
Capital assets, net of accumulated depreciation	16,388,240	29,402,078	45,790,318	130,468
Total noncurrent assets	27,365,365	31,508,830	58,874,195	799,889
TOTAL ASSETS	62,125,304	40,051,895	102,177,199	2,588,308
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	3,178,278	115,234	3,291,510	-

Government Wide (GASB 34)

“Statement of Net Position”

Liabilities, Deferred Inflows, and Net Position

18

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
LIABILITIES				
Current liabilities				
Accounts payable	1,263,244	454,217	1,717,461	22,307
Accrued liabilities	1,827,714	43,757	1,871,471	4,399
Accrued interest payable	52,150	63,143	115,293	-
Unearned revenue	57,707	-	57,707	-
Current portion of compensated absences	450,000	18,800	468,800	-
Current portion of long-term debt	2,140,389	1,067,242	3,207,631	-
Current portion of uninsured claim liability	104,679	-	104,679	-
Total current liabilities	5,995,883	1,646,959	7,642,842	26,708
Noncurrent liabilities				
Noncurrent portion of compensated absences	515,528	10,160	525,688	-
Noncurrent portion of long-term debt	19,073,842	9,705,553	28,779,395	-
Net other post-employment benefits obligation	5,413,031	-	5,413,031	-
Total noncurrent liabilities	25,002,399	9,715,713	34,718,112	-0-
TOTAL LIABILITIES	30,998,282	11,362,672	42,360,954	26,708
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	55,282	-	55,282	-
NET POSITION				
Net investment in capital assets	13,246,454	19,084,186	32,330,640	130,468
Restricted				
Highways and streets	5,581	-	5,581	-
Public works	1,096,534	-	1,096,534	-
Public safety	679,653	-	679,653	-
Recreation and culture	148,290	-	148,290	-
Community and economic development	-	-	-0-	2,431,134
Debt service	316,548	-	316,548	-
Unrestricted	18,754,956	9,720,271	28,475,227	-
TOTAL NET POSITION	\$ 34,248,016	\$ 28,804,457	\$ 63,052,473	\$ 2,561,602

GASB 34 to Fund Level Reconciliation

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Total fund balances - governmental funds \$ 31,504,409

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

The cost of capital assets is	\$ 71,845,885	
Accumulated depreciation is	<u>(54,794,626)</u>	
Capital assets, net		17,051,259

Other long-term assets are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. 6,865

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension asset or liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Net pension asset	10,314,106	
Deferred outflows of resources related to pensions	3,176,276	
Deferred inflows of resources related to pensions	<u>(55,282)</u>	
		13,435,100

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds payable and installment purchase agreement	(20,515,009)	
Unamortized bond premium	(699,222)	
Compensated absences	(965,526)	
Accrued interest payable	(52,150)	
Uninsured claim liability	(104,679)	
Net other post-employment benefits obligation	<u>(5,413,031)</u>	
		<u>(27,749,617)</u>

Net position of governmental activities \$ 34,248,016

What Now?

- Take another look at your financial statements
- Talk to your Finance Director
- Talk to your auditor
- Ask questions!



Any

Questions??



Thank you

danke 謝謝 ngiyabonga
спасибо Баярлалаа faafetai lava
dank je misaotra matondo paldies grazzi
gracias tapadh leat
bedankt nanni nandri kiitos dankie
mauriuru koszonom
dziękuje hvala
obrigado sobodi dekuji
sukriya kop khun krap
terima kasih ありがとう tanemirt rahmet
merci ouchaponda xiexie
sagolun chnorakaloutioun gracias ago gracies
go raibh maith agat
arigatō takk dakujem trugarez
merce мерси
dankon aciū akun
dijere dieuf tau mochchakkeram
mamnun
chokrame murakoze tenki
xвала asante manana
obrigada